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## CURRENCY DISCUSSION IN MASSACHUSETTS IN THE EIGHTEENTH CENTURY.\*

### II.

WE have seen that the bank controversy, which had been active in 1714-21, came to a standstill in the third decade of the century. Its revival in the next decade seems to have been due to the change in the conditions under which the government issues—the Province bills—were put forth after 1730.

Until the spring of 1730 it was the custom for the Assembly to issue Province bills for the expenses of the government by the passage of "resolves." The formality of the passage of acts for this purpose was now entirely dispensed with, and thereby the necessity of the approval of the Privy Council was avoided. In May, 1730, instructions were received to the effect that in future no bills should be issued except by acts of the Assembly. When Belcher assumed the reins of government in August of that year, he brought with him royal instructions which limited the power of the government in that direction. The annual issue was not to exceed £30,000, to be applied only for current expenditures, and outstanding issues were to be absolutely withdrawn from circulation according to the terms of the resolves or acts under which they were issued. It was obvious that, if these instructions should be carried out, there would be a diminution of the currency in circulation. It happened, also, that there was in progress at this time a dispute between the Governor and Council on the one hand and the Assembly on the other, as to the right of the Assembly to pass upon debts incurred

\* For the first part of this article see vol. xi. No. 1 (October, 1896), p. 70.

by the government before appropriating the money for their payment. Pending the settlement of this question, the Provincial government allowed the debts of the Province to accumulate, and abstained from issuing bills except for the payment of a few salaries. Perhaps it was in consequence of the small number of bills issued in 1731 and 1732 that the scarcity arose of which Hutchinson says, "In 1733 there was a general complaint throughout the four governments of New England of the unusual scarcity of money."<sup>\*</sup>

At all events, hope evidently revived in the breasts of those who favored banks of issue, and they renewed the pamphlet warfare. From this time forth it was continued with few breaks until it culminated in the organization of the Land Bank.

The first pamphlet put forth in this renewal of the discussion was without date, but was evidently issued about 1733. It contained a new proposition for a private bank.<sup>†</sup> A number of merchants and traders were to enter into a copartnership and issue bills or notes to circulate in lieu of money as a medium of exchange. They were to oblige themselves to give the same credit to these bills or notes as they then did to the bills issued by the government. As far as practicable, they were to force the circulation of the notes by a species of boycott on those who should refuse to receive them. The copartnership was not to engage in trade, but simply to lend the notes at interest. Adequate security was to be demanded for loans, real estate being preferred. The bank was also apparently

\* Hutchinson, II., 380.

† *Money the Sinev of Trade. The State of the Province of the Massachusetts Bay considered with respect to its trade for want of a Medium of Exchange where-with to manage, &c., &c., &c., &c.* By a lover of his country. Boston, N.E. [1733?] There was a pamphlet issued in 1731, entitled *Trade & Commerce indicated . . . with some proposals for the bringing gold and silver into the country*, Boston, 1731, which may have discussed the question of Banks. The only copy of this pamphlet of which I have information was purchased at the Brinley sale by the Congressional Library. At present it cannot be found.

intended as a bank of deposit; for its advantages as a place where money could be left are pointed out.

It may be inferred that the writer of this pamphlet had in mind the issues which a company of Boston merchants actually made at this time, partly in consequence of the peculiar position of the different colony issues. Massachusetts and New Hampshire were at this time restrained by royal instructions in their powers to emit bills. Rhode Island had full power to float them at will, and in July, 1733, issued £100,000. A number of Boston merchants entered into an agreement not to receive these bills in trade, and they organized a company and issued £110,000 of their own notes, redeemable in ten years in silver at nineteen shillings per ounce, the bills resting for their security solely upon the solvency of the individuals composing the company. It turned out that these bills, which were known as Merchants' Notes, did not long remain in circulation. Silver rose rapidly shortly after their issue, and in consequence they were at a premium and were hoarded by those having them in possession.\* In 1736 a pamphlet was issued in which the writer accused the merchants of being themselves instrumental in causing the premium on their own notes.† They were buying them up at an advance, he alleged, in order to make it impossible for those who had borrowed them on mortgages to redeem their estates. He could not understand why the Assembly should hesitate to pass a law making Province bills a lawful tender for obligations contracted in these notes.

A scheme for bringing the Province bills to a silver basis was promulgated in 1736 by a pamphleteer who

\* In 1734 some New Hampshire merchants made a similar attempt. Their notes were payable in bills of the several colonies in silver, in gold, or in hemp at Portsmouth prices in 1747. "As to the hemp bank," says Governor Belcher in his correspondence, "they are wild, and it will be a bank of wind." *Massachusetts Historical Collections*, VI. Series, vol. vii. p. 159.

† *The Melancholy State of this Province considered in a letter from a gentleman in Boston to his friend in the country.* Printed in the year 1736.

could not see why “leather, paper, or anything else we agreed to and put a stamp on” should not “answer for money as well as silver.”\* His plan, he alleged, had been several times before the General Court. The government was to emit an adequate amount of new bills, to be let out to such persons as would oblige themselves to pay annually for ten years for each thousand pounds one hundred and ten pounds in silver coin at the rate of six shillings and ten pence per ounce, or in gold coin in proportion. At the end of five years the redemption of the bills thus issued was to begin. The possessors could then exchange them for one-half coin, one-half new bills. The bills were to be a legal tender. The circulation of bills of other governments was to be forbidden. In considering the practicability of this proposition, it must be remembered that when it was put forth, silver was rated in the Province at twenty-seven shillings per ounce.

The contribution of the year 1737 to the pamphlet warfare consisted in a brief proposition for a Land Bank.† The nominal amount of notes of this bank was set at £500,000, of which £200,000 were to be emitted on loans on real security at six per cent. The rest were to be negotiated “by transfer,” which meant, perhaps, that accounts were to be opened and transfers of credits made upon the books of the bank. Bills of other governments were to be discredited by the partners. The writer alleged that there could be no such thing as over-trade. The greater the importation, the cheaper the imported goods, and the higher the rates that would be received for produce of the Province. Money he conceived to be less safe than land security as a basis for a bank.

In 1738 a plan was proposed for the emission of a new form of bills by the Province, which should be lent out,

\* *A letter to a member of the Honourable House of Representatives on the present state of the Bills of Credit.* Boston. Printed in the year 1736.

† *A proposal to supply the Trade with a Medium of Exchange and to sink the Bills of other Governments.* Boston, printed in the year 1737.

payments on the loans to be made in annual instalments in coin, thus bringing the Province to a specie basis. This scheme was vigorously opposed by a pamphleteer, who apparently would have endured the admitted evils of the old bills rather than hazard the intricate experiment of the new.\* He thought old-tenor bills in most respects superior to silver for money, and even recommended the Colony of Rhode Island to emit bills at a low rate of interest, for short periods, alleging that "the length" was the only just objection to the last emission of that colony.

This called forth a reply which is attributed to Dr. William Douglass,† a practising physician in Boston, and an uncompromising advocate of what may be called "sound money" principles. In addition to the part which Douglass took in the pamphlet warfare concerning the currency and the banks, he published a history, entitled *A Summary, Historical and Political, . . . of the British Settlements in North America*. The *Summary* is frequently cited by historians, but it is doubtful if full justice is done to the work, in consequence of the extravagant way in which the author expresses his opinions. Eliot, in his *Biographical Dictionary*, says that the *Summary* is "a collection of things which came into his head, whether they related to his family, his private squabbles, or the affairs of the publick." Palfrey calls him a "master of ribaldry"; says he is not "trustworthy as to facts," and styles him a "conceited censor." The appearance of

\* *Some observations on the scheme projected for emitting £60,000 in bills of a new Tenour, to be redeemed with Silver and Gold, Shewing the various operations of these Bills, and their tendency to hurt the publick interest. In a letter from a Merchant in Boston to his friend in the Country.* Boston, 1738.

† *An Essay concerning Silver and Paper Currencies, more especially with regard to the British Colonies in New England.* Boston [1738]. The pamphlet last cited (*Some Observations . . .*) has been attributed to Douglass: thus in the sketch of Douglass in Palgrave's *Dictionary of Political Economy*. In fact, his *Essay concerning Silver and Paper Currencies* was a direct reply to *Some Observations*. The person who might have made the mistake in Douglass's lifetime would have been severely castigated.

the history was the occasion of a libel suit, brought by Admiral Knowles against Douglass. Adam Smith, on the other hand, speaks of him in the *Wealth of Nations* as "honest and downright Dr. Douglass." \* Whatever we may think of Douglass's style, we must recognize in him a vigorous champion of sound money, and an able and well-informed writer, to whose works we are forced to turn for many facts concerning currency and exchange.

In the reply which Dr. Douglass thus issued, he discussed the legal tender quality of Province bills, † and said that nothing ought to be a tender but what was a tender all over the commercial world. He also pointed out instances of the bad effect of making bills a legal tender. He thought a paper credit founded on a silver specie currency might be a good expedient; but argued that the Province bills constituted a Province debt, and that private bills on a proper foundation would really be better than public bills. Large emissions of public paper money begot extravagance. Wherever there were several sorts of currencies in circulation, the basest was destined to become the common currency. He was of opinion that if the public paper credit were gradually removed, trade would find the gold and silver to fill its place. Paper money, he asserted, could not answer in the adjustment of the balance of trade with foreign countries. Silver, he said, was of so universal demand all over the world that the continued additions to it were like throwing water into the ocean.

The year 1739 contributed little to legislation or discussion. An act was passed forbidding persons to pass or receive bills of the neighboring governments emitted after May 1, 1738, unless they were made redeemable by lawful money, within ten years from their first emission. John

\* *The Wealth of Nations*, Book II., chapter ii. (p. 144 of M'Culloch's edition).

† Derived through the Act to Prevent the Oppression of Debtors passed 1712; extended 1715, again 1723, and again 1731.

Read, of Boston, submitted to the General Court a plan for a bank of issue based upon a twenty per cent. fund of silver.\* He also proposed by collecting interest on loans in silver to accumulate a silver fund which, in ten years, would amount to seventy per cent. of the circulation of the bank. The proposition apparently did not meet with favor.

It is important that we should glance at the condition of the currency in order that we may understand the complications which had arisen and were about to arise from the various forms of bills in use. The Province bills, first issued in 1702, were upon their face declared to be equal to money, and were receivable in all public payments, and for stock at any time in the Treasury.† In 1737 a second form was put in use. A twenty-shilling bill of this form was declared on its face to be equal to three ounces of coined silver, Troy weight, sterling alloy, and was to be accepted by the Treasurer and receivers subordinate to him in all payments (the duties of import of tonnage of shipping and incomes of the lighthouse only excepted), and for stock in the Treasury. The act authorizing the emission declared one of these new bills to be worth three of the old issue.

The two forms were for a time known as old and new tenor bills. But this method of distinguishing them no longer sufficed when in 1741 a new bill was emitted, which, in the phrase defining the manner in which the bills should be accepted, differed from the form of 1737. The language used in the form of 1741 was "shall be so accepted in all payments and in the Treasury." These bills were

\* *Massachusetts Archives*, vol. eii. p. 113.

† The bills of the late Colony were in 1692 declared to be equivalent to money. They were reissued from time to time until 1702. In some of the reissues it was provided that they should be received in public payments with an advance of five per cent. This practice of allowing a premium of five per cent. when the bills were paid into the Treasury was continued in favor of the Province notes until 1720.

for a time called new tenor bills, the bills of 1737 being spoken of as middle tenor bills. Sometimes the bills of 1741 were termed bills of the newest tenor, but this designation soon ceased to be applicable. In 1744, a twenty-shilling bill of an issue then put forth was declared to be equal to two ounces, thirteen pennyweights, and eight grains of coined silver, troy weight, sterling alloy, and was to be accepted in all payments in the Treasury. The bills were thereafter known as old tenor, middle tenor, new tenor firsts, and new tenor seconds.

Such was the state of the currency of the Province while the bank discussion was going on. A curious proposition for a hybrid bank to be run jointly by the Province and a company of merchants appeared in 1740.\* The notes were to be at the rate of twenty shillings an ounce for silver and were to be signed by a Committee of the General Court and by agents in the name of the Company. They were to be delivered by the Province to the Company and payment was to be made by the Company in silver in ten annual installments. The scheme was impracticable enough; but it is interesting to note one method by which the writer sought to gain a cheap popularity for it. He proposed that 3,000 ounces should "be given to Harvard College so far to make good the loss their stock has sustained by the fall of the credit of your Province bills."

An intelligent discussion of the currencies of the several British plantations in America, which leads up to a comparison of the propositions for the Land and Silver Banks, was issued in pamphlet form in 1740.† This pamphlet, which is attributed to Dr. Douglass, gives details of the growth of the paper currency, of the changes

\* *A letter relating to a Medium of Trade, in the Province of the Massachusetts Bay.* Boston, 1740.

† *A discourse concerning the currencies of the British plantations in America, especially with regard to their paper money. More particularly in relation to the Province of the Massachusetts Bay in New England.* Boston, 1740.

in the rate of silver, showing the coincidences with large emissions, and points out by dates the gradual postponement of the calling in by the Province of the notes. It shows who were the real sufferers by these emissions and proves by estimates of the purchasing power of the currency afloat at different periods that the increase of supply found a compensation in the increased premium of silver, so that large issues did not actually add to the circulating medium. The writer regards long credits as a result of an inefficient medium of trade. He condemned the Land Bank, but thought a properly organized Silver Bank might be beneficial.

In both of the pamphlets issued by Dr. Douglass he had discussed the proposition laid down by the person who in 1738 had published a pamphlet attacking the proposed plan for a new form of bills. This author felt compelled to reply, and put upon the market a printed document of seventy-eight pages, in which he developed a scheme of relief and answered the two pamphlets issued by Dr. Douglass.\* Silver, he says, has an accidental value through the common consent of the world; if this were withdrawn, it would be of no value. Province bills have no intrinsic value; but they have an accidental value like silver. This is based on the promise of the government and the consent of the people to receive them. They are not universal, but local commodities. That they are commodities he infers from a comparison of their functions with that of silver. Money is the commodity chosen by the world in general, or by any community of people in particular, to pass in trade and for which contracts and agreements are usually made. Values of ordinary commodities change with the proportion between the quantity to be sold and the demand for

\* *An Inquiry into the nature and uses of money; more especially of the bills of Publick Credit, Old Tenor. Together with a proposal of some proper Relief in the present exigence. To which is added a reply to the Essay on Silver and Paper Currencies [sic].* Boston, 1740.

that quantity. Judgment may be formed of the change of value of money by comparing it with other things in the market. Perhaps the best way to form an opinion of the change of the value of silver money, is by the influence it has on the mode of living. The change of the rate of interest is evidence of the change in the proportion of quantity of and demand for money. Measured in this way, the value of silver in 1740 is only one-third what it was in 1691. Province bills have not undergone any other change than that common to all commodities. No man has been obliged to let his money under six per cent. The irregularity of their emission has caused irregularity in the rise of silver, but by the mere operation of trade it would have risen in any case. The variations in the quantity of silver produce the same effect. He makes a comparison between Great Britain and Massachusetts Bay as to the number of the people, the yearly expense and the quantity of money, and concludes that they have in Great Britain a sum of money equal to one-third of their yearly expense, while in the Province there is only one-twentieth. The balance of trade with Great Britain he calls a balance of debt.

The qualifications of money, he maintains, are that it shall be stable in value, of convenient matter, current by common consent, and sanctioned by public authority. Money without intrinsic value, for which there is no demand elsewhere, will not be exported. It is better, he says, to have silver on the footing of a commodity than of money,—apparently forgetting that he has already taken great pains to prove that money itself was a commodity. Bills are more convenient than silver. While gold and silver are used for foreign exchanges, there is no common consent as to the proportion of alloy. Every country must choose a special or local regulation of money as an instrument of commerce, and in this respect Bills of Credit are to be preferred. Government has made them a legal tender, and by common consent they are current.

His scheme for a bank is for a number of men to associate themselves together, emit bills, and agree to receive them as money. The undertakers are to furnish security that they will always receive the bills according to their tenor and are to be bound to the holders of the bills in a satisfactory manner. No undertaker is to take out over ten per cent. of the sum he subscribes, the balance to be loaned at six per cent. on good security, and payments to be made either in the bills of the bank or in silver at current market rates. He speaks of a variety of schemes lately proposed, and makes a special attack on the Silver Bank which had been inaugurated by the opponents of the Land Bank. He then proceeds to deal with Dr. Douglass's pamphlets, taking them up and discussing them paragraph by paragraph.

The discussion in the press and in pamphlets was now directed to the advocacy of one or other of the two schemes, Land Bank and Silver Bank, which were seeking to secure the public favor. A pamphlet appeared in 1740 which praised the Land Bank scheme, giving a description of the manner in which it was founded, and laying stress upon the great numbers interested in its success.\* The writer alleged that there would be no occasion to retire the notes annually paid in on the mortgages, because they would be perfectly good in the hands of possessors, and the Company had promised to redeem them in commodities at the end of twenty years.

In the spring of 1741 still another pamphlet appeared which is attributed to Dr. Douglass.† At the time when it was written news had been received that the Board of Trade upheld the Governor and Council in their attempts to check the projectors of the Land Bank, and that they

\* *A letter from a Country Gentleman at Boston to his friend in the Country.*  
Dated, Boston, June 10, 1740.

† *A letter to — — Merchant in London concerning a late Combination in the province of the Massachusetts-Bay in New England to impose or force a private-Currency called Land-Bank-Money.* Printed for the Publick good, 1741.

were considering measures to put a stop to the scheme. The writer in caustic language points out the weakness of the scheme and shows why the Silver Bank is preferable. He says the projectors gave to the Land Bank, which he terms a bubble, the specious name of a bank. It has not the least affinity to banking. This sham bank, he adds, has no stock in the Treasury; and the face of their bills promising to accept them for stock in the Treasury, is an arrant bubble. In other countries, he says, the opulent, the honest, the men of credit have banks; here, the indigent, the debtors, the fraudulent set up for bankers. The managers spirit the people to mutiny, sedition, and riot. One gives it for law that no orders from the Boards at Whitehall, no Acts of Parliament, can put a stop to their proceedings.

This pamphlet brought forth a reply within a week from its publication.\* The writer, in justifying the legality of the Land Bank notes, refers to a decision of the Privy Council in the case of the New Hampshire private notes, to the effect that they saw no reason for interfering with them. He denies the aspersions upon the character and standing of the subscribers to the Land Bank, and claims that the scheme as adopted is widely different from Colman's original proposition. He calls attention to the devotion of civil and military officers who have resigned their commissions, conscious of the justice of their cause, and alleges that whole troops, nay, almost whole regiments, either actually resigned, or informed their colonels when examined that they would resign, rather than not encourage the affair. The bills, he says, are in general use, notwithstanding the opposition to them. No other, of whatever sort, with the like opposition, could have gained the like credit.

\* *A letter to the Merchant in London to whom is directed a printed letter relating to the Manufactory-undertaking, dated New England, Boston, February 21st, 1740, 1. Printed for the public good, 1741.*

This pamphlet is dated Boston, Febr. 27th, 1740, 1.

Douglass apparently felt that some answer was essential to this pamphlet, and in the following month he issued a new attack on the Land Bank.\* Continuing his argument that the subscribers belong to the debtor portion of the community, he states their declarations to the public to be substantially as follows: we have had a meeting, and are combined and resolved to pay only so much on the pound, at a long forbearance, by a barefaced, fraudulent contrivance. He repeats many of the points which he had already made and refers to rumors already current of disastrous speculations by the managers. Among them he refers to transactions in Nova Scotia wheat and the Director's logwood, bought and sold at a great discount upon their Land Bank bills. As to the New Hampshire paper money, he says it died a natural death in its infancy, the signers and undertakers refusing to take it in payment.

The pamphlet literature connected with the Land Bank may be said to have closed with an account of the rise, progress, and consequences of the Land and Silver Banks, issued in 1744.† This consists of a carefully prepared historical résumé of the events connected with the rival banks, and is personal in its character only in its criticisms of Governor Belcher, whom the author charges with duplicity.

Having now reviewed the literature to which the bank schemes gave rise, we may turn to the attempt actually made in 1740 to carry into effect the Land Bank and manu-

\* *A second letter to — — Merchant in London, concerning a late combination in the Massachusetts-Bay in New-England, to impose or force a private Currency, called Land-Bank-Money.* (Dated Boston, March 31, 1741.)

† *An account of the rise, progress, and consequences of the two late schemes commonly call'd the Land Bank or Manufactory Scheme and the Silver Scheme, in the Province of the Massachusetts Bay. Wherein the conduct of the late and present G — — ns is occasionally consider'd and compar'd. In a letter from a gentleman in Boston, to his friend in London. Printed in the year 1744.*

factory scheme. The more important events in this extraordinary experiment will be sketched in chronological sequence.\*

At the session of the General Court, begun on the fifth of December, 1739, and continued in the month of January, 1740, a scheme was presented by John Colman and three hundred and ninety-five others, for emitting bills secured by real estate, which were to serve as a medium of trade. This scheme may be briefly described as follows: Subscribers to a so-called stock of £150,000, agreed to borrow a certain amount in bills of the Company. Their voice in its affairs was determined by the size of their subscriptions. According to the prospectus, the only payment which was required to be made was forty shillings on each thousand pounds — two-tenths of one per cent. — for organization expenses. Each subscriber was to furnish satisfactory mortgage security for his loan, on which he was to pay interest at the rate of three per cent. per annum; while the principal was to be paid in twenty annual installments of five per cent. each. These payments were to be made either in the notes of the Company, which were spoken of as Manufactory Notes, or in hemp, flax, cordage, bar-iron, cast-iron, and certain other enumerated commodities. Each subscriber was required to sign an instrument in which he agreed to indemnify the signers of the notes. It was apparently intended that the profits which the Company might earn should furnish a capital; for it was provided that, in making dividends, care should be taken that there should still remain in the stock double the principal paid in from time to time. On personal security, loans not exceeding one hundred pounds were permitted.

The form of the bill which it was proposed to emit, as originally printed in the broadside of the Company, con-

\* For some further account of these events see a paper by the present writer on *Provincial Banks: Land and Silver*, in the Publications of the Colonial Society of Massachusetts, vol. iii.

tained no promise to pay, but was simply a promise in behalf of the partners to receive the same in all payments, trade, and business. It was afterwards amended by adding an agreement to pay the possessor the value thereof, in manufactures of this Province. In the bill which was actually issued, a rate in silver and a time at which the bill would be paid were introduced. The form was as follows:—

We jointly and severally promise for ourselves and partners to take this bill as lawful money at 6s. 8d. per ounce in all payments, trade, and business, and for stock in our treasury at any time; and, after twenty years, to pay the same at that estimate on demand to Mr. Joseph Marion, or order, in the produce or manufactures enumerated in our scheme, for value received.

It is obvious that it would have been possible for the mortgage loans of the Company which should issue these notes, to be paid off entirely in commodities, thus leaving the notes afloat without other security than was afforded by the partnership. Of the men who composed this partnership, Hutchinson says that a few were "of rank and good estate," but they were "generally of low condition among the plebeians, and of small estate, and many of them insolvent."

In considering the question of the probable reception by the public of notes which might be paid in commodities, and which, as we have seen, might lose whatever security the mortgages behind them gave, it must not be overlooked that the Merchants' Notes of 1733 had appreciated in a very short time to a premium of 33 per cent. The conditions of the two experiments were not parallel; but evidently, the experience with the Merchants' Notes furnished an argument in favor of the probable acceptance by the community of the Land Bank notes. When to this is added the fact that great numbers were interested in the scheme, who, by their example and enthusiasm,

brought in new converts daily, it can be understood that the financial weakness of the subscribers as a class might be overlooked by the inconsiderate. At all events, Hutchinson says that "the needy part of the Province" favored the bank, and that "a majority of the representatives for 1740 were subscribers to or favorers of the scheme."\*

It was clear, therefore, that the opponents to the Land Bank must take active steps if they wished to stop its progress. Their first effort was through the organization of a rival bank, which has been already referred to as the Silver Bank. Its purpose was to issue bills on a silver basis. These bills ran for fifteen years, and were then redeemable at the rate of twenty shillings per ounce for silver. Meantime, the directors promised to receive them in trade and business at the following rates:—

In 1741, an ounce of silver at the rate of 28s. 4d.
“ 1742, “ “ “ “ “ 27s. 9d.
“ 1743, “ “ “ “ “ 27s. 2d.

And so on with an annual reduction of seven pence in the rate of silver till it reached twenty shillings in 1755, the date at which the notes were payable. This annual appreciation of the notes was the equivalent of a low rate of interest, and, unless the premium on silver had fallen, would have caused the notes to be hoarded.

The amount of the silver notes which it was proposed to issue was £120,000. When issued, they thus represented in terms of silver, at the stated rate for redemption in 1741 (28s. 4d. per ounce), less than one-fifth of the proposed issue of the Land Bank, which was £150,000 with silver rated at 6s. 8d. per ounce.

The projectors of the Silver Bank, having with great ease secured from men of good financial standing the necessary subscriptions for their scheme, also made application to the General Court for its approval and sanction.

\* Hutchinson, II., 394.

We need not follow in detail the contest which took place in the Assembly. It is enough to say that the House favored the Land Bank, and that the Governor and Council were opposed to it. As an incident of the opposition to the Land Bank, the Council favored the Silver Bank. Under these circumstances neither scheme could secure legislative approval. Temporarily, all proceedings in connection with both were suspended, and the projectors were prohibited from going further until the Assembly should meet for its session of May, 1740. Petitions in favor of the Land Bank were heard in the House, while great numbers of the merchants of Boston flocked to the Council Chamber to urge action against it.

In the fall of 1740, the period of temporary prohibition having expired, there was no longer any reason why the two schemes should not be launched if their projectors were willing to proceed without any legislative approval. Both were then organized, and proceeded to issue their notes, the Land Bank having by this time secured about a thousand subscribers. The conflict, confined up to this time to the General Court, was now to a certain extent transferred to the columns of the press. Statements signed by merchants, to the effect that they would or would not receive Land Bank notes in trade, were to be found there, and many advertisers specified whether these notes would be received in payment for advertised articles. The great number of notices upon this subject, which appeared in the newspapers, showed how thoroughly the public was interested in the contest.

The governor, having failed in his efforts to prevent the organization of the Land Bank, concluded that the intervention of Parliament alone could stop its progress, and so stated in his correspondence. Preliminary steps in that direction were taken in October, 1740, by the opponents of the scheme. Pending any results from this action, the Governor proceeded to exercise the power

which he held over office-holders. Proclamations were issued, addressed to all who held office under him, warning them against giving encouragement to the passing of Land Bank notes, and threatening to remove them from office if they did so. Registers of Deeds were compelled to furnish lists of the Land Bank mortgages. A veritable reign of terror was inaugurated among the office-holders, and many were removed from their positions, civil and judicial as well as military. Attorneys favoring the bank were deprived of the privilege of probate practice before the Council. All these steps, however, failed to prevent the circulation of the Land Bank notes, especially among the poorer towns, many of which voted to receive them for town rates. The hostility of the wealthy men of Boston, and the boycott which they inaugurated, were in all probability more effectual than the violent and tyrannical methods of the Governor. If this opposition did not prevent, it at any rate seriously interfered with the circulation of the Land Bank notes. So great was the excitement attending the struggle over the notes that in the spring of 1741 information came to Boston of a contemplated outbreak in several of the towns in the southern part of the Province, the apparent purpose of which was to compel certain persons to sell their supplies of corn for Land Bank bills. This information was specific enough to cause the issue of a warrant for the arrest of a number of the alleged conspirators; but the premature disclosure prevented actual outbreak.

By this time (1741) there was enough apparent success on the part of the Land Bank to lead to the projection of several local banks of the same sort. One, which was started at Ipswich, actually prepared for circulation notes of small denominations. But, while the effect upon the public was such as to lead to the organization of these imitation Land Banks, there is evidence that the original company was already experiencing difficulty in keeping

its notes afloat. The greater part of the mortgages given to the Land Bank were executed in September, 1740. In March, 1741, the Company prepared a blank form for a supplementary agreement to be entered into between the subscribers and the Company, in which it was provided that the subscribers should pay one-half at least of the annual instalment on the principal in the manufactures mentioned in the mortgage. In other words, they had already discovered that there was difficulty in keeping out their notes, and were obliged to call upon the subscribers to make at least one-half of their payments in commodities.

The controversy between the House and the Council, during the spring and summer of 1741, remained upon the same footing as before. The House was still in the hands of the friends of the Land Bank, and remained so until the doom of the bank was announced through the publication of the Act of Parliament directed against it. It is a singular fact — probably not known at that time — that in 1735 the attorney-general of his Majesty had given a written opinion to the effect that he had considered a scheme for erecting some sort of a bank in Boston, in which he stated that he could see no objections thereto in point of law. The Board of Trade also had, in 1736, reported to the Privy Council that it would be a great hardship to set a public mark of discredit upon a number of merchants in New Hampshire, who were engaged in a scheme for issuing what were known as New Hampshire Merchants' Notes. This report of the Board of Trade was known in Boston, and justified the argument that the founders of the Land Bank had not violated any existing law. Parliament was, however, called upon to suppress the enterprise, and was found to be equal to the emergency.

An act, familiarly spoken of as the Bubble Act, had been passed in the previous reign (1720), which would undoubtedly have made such an enterprise as the Land

Bank illegal in Great Britain, but which by its terms did not appear to apply to the Colonies. It was, therefore, specifically enacted in 1741 that the Bubble Act did originally apply, had continued to apply, and was then in full force, in the Colonies. By the terms of the law thus extended to the Colonies every contract made either by the Land or the Silver Bank, or by any similar organization, was rendered null and void. All those who had participated in any way in either of the schemes were rendered individually liable to possessors of the notes of the respective companies. They were declared to be liable to the penalties of the Public Nuisance Act, and they further incurred the penalties of the Statute of Provision and *Præmunire*. Treble damages were to be entered up in any suit for damages, if the offender persisted in violating the act after the 29th of September, 1741.

There were, among the subscribers of the Land Bank, many who were not disposed to acquiesce in this Act of Parliament. Belcher, who was governor at the time of the publication of the act in the Province, had been identified with the violent measures which had been taken to prevent the scheme from succeeding. It is quite within the range of possibilities that, if he had remained in office, there would have been at that time a deliberate opposition to Parliamentary interference, and that the right to apply indiscriminately and unreasonably what Hutchinson terms the "transcendent power of Parliament" would then have been disputed. It happened, however, that Shirley assumed the gubernatorial office in the middle of August, 1741. He was a tactful man, and succeeded in inducing the managers of the Land Bank to take steps towards closing the affair before the limit set in the Act of Parliament.

The condition of affairs was perplexing in the extreme for the subscribers to the Silver Bank as well as to the Land Bank. Their contracts were annulled, and every

act performed by them in connection with these schemes was declared to have been illegal. The managers of the silver scheme, although they did not altogether escape the difficulties of their unlucky position, were in a much better situation than those of the Land Bank. They were few in number, working for mutual protection, and they succeeded in closing the Silver Bank without legislative interference.

The affairs of the Land Bank were permitted to drift for two years. During the interval efforts were made to secure from the subscribers voluntary settlements of their loans. These proceedings were in the main effectual, but their complete success was rendered impossible by a variety of causes. Some of the subscribers had been harassed by suits at the hands of the possessors of notes, and had been compelled to contribute more than their proportion. There had been losses in trade, and these had to be adjusted, notwithstanding the fact that there was nothing in the original scheme which could have made individual subscribers partners to such transactions. Many of the notes had been acquired, according to Hutchinson, for fifty per cent. of their expressed value; but under pressure of the Act of Parliament they had to be redeemed at their face value with interest. Some of the subscribers had left the Province, some were insolvent, and others were recalcitrant. Meantime the government could do nothing to assist the subscribers in their voluntary efforts to close the company except to inaugurate a few criminal prosecutions, under the Act of Parliament, against delinquents. It was finally determined to create a Commission for the purpose of adjusting the affairs of the bank, and in 1743 this was done. This Commission remained in office until 1759, when it was reorganized, to be again succeeded by a third Commission in 1767. By means of various assessments collected from such of the subscribers as could respond, and with the aid of a lottery, which was

authorized in 1760, the work of redeeming the bills and of meeting the expenses of the Commissions, seems to have been accomplished ; but several important questions were still pending between the subscribers and the directors of the Company when it finally disappeared from the records of the Province in 1768.

The literature which has been followed in the preceding pages, and the bank schemes which were its outcome, are of interest to the economic student, mainly in their relation to the general course of economic thought and economic history in the first half of the eighteenth century. The bank and paper money schemes are directly connected with the schemes then urged in England, Scotland, and France ; the paper money theories are an echo of what the same generation was saying in the old countries. The most important contributions to the literature of economics which they yielded are the writings of Douglass. His *Essay Concerning Silver and Paper Currencies* and his *Discourse Concerning the Currencies of the British Plantations in America* are by far the best of the attacks upon the wild notions of the bank advocates. His *Summary, historical and political, of the first planting, progressive improvements, and present state of the British settlements in North America*, gives tables showing the movement of silver, its effect on salaries, the amounts of bills outstanding at certain dates, and the correspondence between these amounts and the depreciation of silver, which are valuable contributions to economic history and show a keen appreciation of the causes of the disturbances in trade.\*

The only disputant on the other side who can lay claim

\* Mr. Justin Winsor has called my attention to a series of communications on Numismatics, which appeared in the Boston *Evening Transcript* in November and December, 1851, and January, 1852, in which there is a description of some of the events connected with the Land Bank. The writer appears to have derived his information from Hutchinson and Douglass, but he evidently relied mainly upon Douglass's *Summary*.

to have fairly grappled with the question on the economic side, is the author of *An Inquiry into the Nature and Uses of Money*, who made an attempt to answer Douglass. These writers approach the matter in a quasi-scientific way, and their works are of value because through them we can trace the movements of exchange and its relation to the currency in circulation; yet the redundancy of their style and the superfluity of their illustrations repel the reader. The common sense method in which such a writer as the author of *The Present Melancholy Circumstances of the Province Considered*,\* who in 1719, declared that a thousand schemes for banks and paper money would not help the Provincials so much as the importation of fewer goods, and the exercise on their part of greater self-reliance, is not only more attractive now but must have been more effective with the average reader of that time. Indeed the same writer published a second pamphlet entitled *An Addition to the Present Melancholy Circumstances of the Province Considered*, within about a month of the issue of the first; which would indicate a favorable reception of the original pamphlet by the reading public. The second, like the first, was brief and unpretentious; yet it was replete with common sense views on the situation,† and is readable to-day.

The controversial part of the discussion ceased with the abrupt closing of the Land Bank. There could be no fur-

\* Compare this *Journal*, vol. xi. p. 85.

† *An Addition to the Present Melancholy Circumstances of the PROVINCE considered, &c.*, March 6, 1718-9. *Exhibiting Considerations about Labour, Commerce, Money, Notes, or Bills of Credit*, April 14, 1719. Boston, 1719.

This writer thus treats the question of an irredeemable currency: "I would thank no man for his *Note* or *Bond*, obliging himself always to owe me a Thousand Pounds, for if he always owes it, he never pays it, and so I shall never be the better for it." He shows that so long as the *status quo* should be maintained there could be no coin in the Province Treasury. "But I don't see it likely that there should be any stock in the Treasury besides Bills; while the Bills are to be received there at *five per cent. advance*; for while so who would pay his Tax in anything besides Bills?" The effect upon the bills of the process then going on of gradually extending the time of their being

ther question of private banks of issue. The hoped for reduction of the currency did not come. The exigencies of the French and Indian War compelled expenditures which could be met in no other way than by the issue of more currency. Royal instructions to withdraw the currency proved elastic in the hands of complaisant governors, and concessions were easily procured under the emergencies of war. To crown all, the enormous expenditures incurred in the prosecution of the Louisbourg expedition, sent exchange to upwards of one thousand. The present to the crown of this important fortress, compelled some recognition of the bankrupt condition of the Province, and the British government sent over an amount of coin adequate to meet the expenses of the campaign at the rate of exchange current when the bills were issued. Seventeen trucks loaded with two hundred and seventeen chests full of Spanish dollars, and ten trucks bearing one hundred casks of coined copper, were driven in procession up King Street one day in the fall of 1749. Nearly a year before, an act, which had been introduced in consequence of the presentation of a memorial by Thomas Hutchinson, had provided for the withdrawal of the currency on the basis of seven and one-half to one for old tenor bills,—on condition that the expected cash payment should be made by the mother country. In this manner the return to a specie basis was finally brought about.

In conclusion, it may not be amiss to say a word as to the general position of Hutchinson, the historian, whose

called in is disposed of as follows: "And the shorter the time is for drawing in of Bills the greater will be their value and esteem in the minds of Persons." The vague phraseology of the bills is set forth in the following language: "tho' the Bill says Twenty Shillings are one, from the *Province* to the *Possessor*, yet it do's not directly say that the *Province* shall pay Twenty Shillings to the *Possessor*, but only that this Bill shall be accepted as equal to money by the *Treasurer*." Finally, he points out a way of increasing their value in popular estimation. "I see no way to *raise* their Value and esteem among People, but by lessening their Quantity and calling them in as soon as fairly may be."

This pamphlet came under my consideration too late for notice in proper chronological sequence.

part in the resumption of specie payments has just been referred to. Throughout the period of the discussion here under review, Hutchinson had been a consistent advocate of the doctrines which were at last accepted by the law-making power. Although his history was not written until some years after this time, the doctrines which were laid down in it must be accepted as his constant and unshaken opinions. It is evident that they were not afterthoughts, and many of them are well worthy of attention. Speaking of silver and gold as instruments and measures of commerce, and the effect upon them of bills, he remarks that of two instruments, one in use in a particular state and the other with the whole commercial world, it is easy to determine which must leave that particular state and which remain. Referring to the proposition that the Province should lend its bills, he suggests that this was an easy way of paying public charges, which, no doubt, they wondered that in so many ages the wisdom of other governments had never discovered. And he calls attention to the effect of depreciation of the currency in terms like these: by this sinking in value, though the nominal sum was higher than it had ever been before, yet the currency would produce no more sterling money than it would have done before the emissions were made. Hutchinson thus deserves to be remembered equally with Douglass among the advocates of the principles of a sound currency.

ANDREW MCFARLAND DAVIS.